



PREPARED FOR:  
ALEUTIAN Pribilof Island Community Development Association

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## COMMUNITY DEVELOPMENT QUOTA PROGRAM DECENNIAL REVIEW REPORT:

ALEUTIAN Pribilof Island Community Development Association

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### INTRODUCTION

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The Magnuson-Stevens Fishery Conservation and Management Act of 2006 (hereafter Magnuson-Stevens Act) is the primary federal law governing marine fisheries management in the United States. Although originally enacted as the Fishery Conservation and Management Act of 1976 and amended multiple times through the decades, the original intent of the Magnuson-Stevens Act remains intact – to promote and protect the domestic fishing industry's harvest of coastal fisheries. Woven throughout the Magnuson-Stevens Act are objectives related to fishery conservation, habitat protection, enforcement of international agreements, maintaining coastal community viability, and achieving optimum yield from each fishery. These objectives are achieved through the establishment of regional fishery management councils and the development of fishery management plans.

Of noteworthy importance for Alaska, the North Pacific Fishery Management Council (NPFMC) established the Western Alaska Community Development Quota (CDQ) Program during 1992, which was later incorporated into the Magnuson-Stevens Act (1996). The CDQ Program was established to ensure Bering Sea fisheries provide economic opportunity for Bering Sea and Aleutian Island communities – including some of the nation's most geographically-isolated and economically-depressed villages. Prior to the passage of the CDQ Program, villages were unable to meaningfully participate in the large-scale commercial seafood industry for a variety of reasons including lack of industry infrastructure, limited workforce skills, and limited financial resources for investing in fishing enterprises. In short, the CDQ Program was established to fulfill the following objectives for 65 Western Alaska villages:

1. Provide opportunity to participate and invest in Bering Sea and Aleutian Island area fisheries;
2. Support economic development;
3. Alleviate poverty and provide economic and social benefits for residents; and
4. Achieve sustainable and diversified local economies.

Fulfilling CDQ Program objectives requires organizational capacity, human capital, and financial investment. The CDQ Program established six regional non-profit entities (hereafter CDQ groups), encompassing 65

PREPARED BY:

STATE OF ALASKA, DEPARTMENTS OF FISH AND GAME, LABOR AND WORKFORCE DEVELOPMENT, AND  
COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT, JANUARY 2013



villages on the Bering Sea coast, and provided exclusive allocations of harvestable fish stocks to each group, including pollock, crab, and halibut. Unlike many federal government programs which provide direct financial support or social service assistance, the CDQ Program established regionally-driven organizations, provided a high-value harvestable commodity, required local leadership, and directed proceeds to be used for the economic and social benefit of member villages. CDQ groups use fisheries-generated revenue to promote village economic opportunity by creating jobs, building infrastructure, providing social services, and encouraging workforce development through training and scholarships. For over 20 years, the CDQ Program has provided economic opportunity in some of the nation's most isolated and economically-depressed villages.

The Magnuson-Stevens Act also requires a periodic review of CDQ groups to ensure they are fulfilling program objectives. During calendar year 2012, and every ten years thereafter, the State of Alaska is charged with evaluating CDQ group performance. This decennial review includes an evaluation of longitudinal change across four Magnuson-Stevens Act criteria encompassing socioeconomic characteristics, financial performance, workforce development, and implementation of annual harvest plans. This report provides the State of Alaska's overall determination of Aleutian Pribilof Island Community Development Association (APICDA) performance, further discusses performance relative to the required criteria, and provides recommendations for reporting future performance.

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## DECENNIAL REVIEW

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During August 2012, the State of Alaska adopted regulations, consistent with the Magnuson-Stevens Act, implementing the state's role in the decennial review. State regulations outline an evaluation process that places substantial burden on the CDQ group for self-evaluation and limits the criteria by which CDQ groups are evaluated. Specifically, CDQ groups are charged with using observable and specific data to measure performance across four primary criteria, required by the Magnuson-Stevens Act. Furthermore, the Magnuson-Stevens Act requires each CDQ group weigh the criteria, for use by the State of Alaska during the evaluation process, in order to reach a final determination of overall organizational performance. To fulfill decennial review obligations, CDQ groups submit decennial review reports summarizing performance across the four criteria and provide needed reference materials to support findings, including financial statements, community development plans, and other supplemental materials.

The State of Alaska fulfilled its decennial review obligation via an interdisciplinary CDQ evaluation team comprised of six officials from the Departments of Fish and Game, Labor and Workforce Development, and Commerce, Community, and Economic Development. Using CDQ group data, performance standards, relative weighting of criteria, and analysis, the state's role in evaluating CDQ group performance is limited to determining whether the entity:

1. Maintained or improved its overall performance with respect to the criteria; or
2. Has not maintained or improved its overall performance with respect to the criteria.



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## CRITERION ONE – SOCIOECONOMIC CONDITIONS

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### *Data Sources and Standard*

APICDA provided community and regional socioeconomic data, but did not provide standards to measure performance regarding improving population, poverty, and economic development characteristics in member villages. Data sources included: US Census Bureau's decennial population census data, US Census Bureau's American Community Survey poverty and income data, and employment, wage, and population data from the Alaska Department of Labor and Workforce Development. APICDA did not provide a performance standard and also assigned zero weight to criterion one.

### *Evaluation*

The State of Alaska evaluation team did not evaluate or make a determination regarding whether APICDA maintained or improved criterion one performance due to APICDA assigning a weighted value of zero to criterion one. While the Magnuson-Stevens Act provides decennial review guidelines and criteria, and State of Alaska regulations outline the process, neither explicitly prohibit assigning zero weight to the criterion.

### *Determination*

APICDA assigned criterion one a weight of zero and did not evaluate performance with regards to improving member community socioeconomic conditions including increasing population, decreasing poverty, and providing economic development opportunity. Therefore, the State of Alaska evaluation team did not make a determination regarding criterion one performance during the 2006 to 2010 review period.

#### Criterion One

✓ Changes during the preceding ten-year period in population, poverty level, and economic development in the entity's member villages.

#### Weight

✓ 0 Percent

#### APICDA Finding

✓ Not Evaluated

#### State of Alaska Determination

✓ Not Evaluated



## CRITERION TWO – FINANCIAL PERFORMANCE

### *Data Sources and Standards*

APICDA provided data sources used to evaluate performance, articulated standards by which to measure performance, and described methods to reach a final determination. Data sources originate directly from APICDA's audited financial statements and are sufficient to determine overall financial performance, including fishery and non-fishery investments. Standards used to measure overall financial performance include longitudinal change in investments (i.e., fishery and non-fishery) and net assets including total net assets, change in net assets, return on net assets, and long-term debt to net assets ratio.

### *Evaluation*

As preface to evaluating overall financial performance, APICDA notes it is difficult for rural Alaska business enterprises to make a profit. APICDA reports, however, it has largely succeeded as a rural enterprise by employing and measuring success using the following management approach:

Royalty income plus distributions from investments must equal or exceed administration and operating expenses plus non-profit expenses, plus funds to continue investing in member community businesses, plus funds to continue investing in non-community, distribution-generating investments.

Over the review period, APICDA made fisheries and non-fisheries investments totaling \$23.8 million. On average, APICDA invests nearly \$4.7 million per year in fisheries-related endeavors; only \$2,615 per year in non-fisheries related investments. Notably, APICDA's non-fisheries investments occurred during 2010 and represent less than one percent of total investments during the review period.

Over the review period, APICDA total net assets increased nearly 40 percent; an average of nine percent per year. APICDA maintained an average annual return on net assets of ten percent, which is notable considering the national recession and prolonged period of economic recovery. From 2006 to 2010, APICDA's long-term debt to net assets ratio ranged from nearly two percent (2007) to approximately eight percent (2008). APICDA has generally experienced low long-term debt to net assets ratios with the exception of eight percent in 2008. Debt levels increased during 2008 due to acquisition of crab processor shares; debt levels decreased during both 2009 and 2010.

### *Determination*

Evaluation of criterion two, determining overall financial performance, requires consideration of fishery and non-fishery investments. Given the performance standards employed, including total investments, total net assets, change in net assets, return on net assets, and debt to net assets ratio, it is well-supported APICDA has maintained or improved its performance relative to criterion two.

Criterion Two  
✓ Overall financial performance of the entity, including fishery and non-fishery investments by the entity.  
Weight  
✓ 50 Percent  
APICDA Finding  
✓ 100/100 Evaluation Points  
State of Alaska Determination  
✓ Maintained or Improved





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### CRITERION THREE – WORKFORCE DEVELOPMENT

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#### *Data Sources and Standard*

APICDA provided data sources used to evaluate its performance and standards by which it determined it achieved the goals of the workforce development criterion. Data sources originate directly from APICDA records and are sufficient to determine whether it has achieved the goal of criterion three – to provide employment, scholarships, and training for the 2006 to 2010 review period.

#### *Evaluation*

Over the review period, APICDA provided employment, scholarships, and training to individuals in member communities. Direct employment increased from 129 jobs in 2006 to 226 jobs in 2010. Wages for direct jobs increased by nearly \$2.4 million and totaled over \$25 million from 2006 to 2010. Approximately 39 percent of all jobs supported by APICDA went to member community residents in 2010. APICDA did not provide data for indirect employment or wages.

The quantity of people receiving APICDA scholarships and training over the review period totaled 413 with a total value of just over \$1.2 million. Notably, the number of scholarships and training opportunities decreased during the review period from 110 recipients in 2006 to 66 recipients in 2010, and expenditures decreased by \$138,276. From 2006 to 2010, the average scholarship amount per recipient was \$3,013. Despite the decrease in scholarship quantity, scholarship total value, and training opportunities over the review period, APICDA has maintained stability in scholarship and training funding programs. Of importance, APICDA included training opportunities in their designation of “Higher Education and Vocational Education Scholarships” instead of providing an independent evaluation for both training opportunities and scholarships.

#### *Determination*

Evaluation of criterion three requires consideration of employment, scholarships, and training. As performance for each of the three indicators maintained or improved over the review period, it is evident given provided performance standards, APICDA has maintained or improved employment, scholarships, and training opportunities for the region’s member communities and residents.

Criterion Three
✓ Employment, scholarships, and training supported by the entity
Weight
✓ 30 Percent
APICDA Finding
✓ 90/100 Evaluation Points
State of Alaska Determination
✓ Maintained or Improved



## CRITERION FOUR – COMMUNITY DEVELOPMENT PLAN

### *Data Sources and Standard*

Although not explicitly stated, the implied goal of the community development plan (CDP) is to harvest allocations to the maximum extent practicable, while complying with bycatch avoidance plans. The goal of the CDP and the description of measurable standards should be clearly provided in subsequent decennial reports. APICDA provided CDPs for 2009 and 2010, but did not provide the data sources used to assess harvest rates. However, it was possible to verify records are generally consistent with the National Marine Fisheries Service (NMFS) catch accounting database, which are appropriate for evaluating performance.

### *Evaluation*

Harvest data from 2006 to 2010 were provided to support APICDA's determination that it maintained or improved performance with respect to the CDP during the review period.

Overall, APICDA harvested almost 100 percent of its primary groundfish species (i.e., pollock and Pacific cod) and realized high harvest rates (91% to 99%) in its target flatfish species in the Aleutian Islands. Over the review period, harvest rates in Bering Sea flatfish species decreased after 2008, which was noted as largely due to the formation of the Bering Sea and Aleutian Islands (BSAI) Amendment 80 trawl fleet cooperatives, which reduced the incentive for APICDA's fishing partners in the non-CDQ sector to fish CDQ allocations. APICDA notes since 2010, a new contract with a CDQ flatfish partner requires them to harvest at least 80 percent of their yellowfin sole and rocksole CDQ allocations, which will improve performance. Performance in Aleutian Islands sablefish was strong, with the noted exception of 2008, when APICDA's processing plant in Atka plant closed for renovation. Although harvest rates varied in Bering Sea sablefish, APICDA maintained an average harvest rate of 76 percent and improved its performance at the end of the review period (2010).

Crab harvest performance was generally strong throughout the review period, averaging 100 percent harvest rates in Bristol Bay red king crab, Bering Sea *C. opilio* crab, and Aleutian Islands golden king crab. APICDA clearly maintained or improved its performance with regard to the ability to fully harvest these allocations over the review period. Similar to other groups, lower rates were realized in Bering Sea *C. bairdi* and Saint Matthew blue king crab fisheries, the latter of which was closed from 2006 through 2008 under a rebuilding plan. APICDA improved its ability to prosecute Saint Matthew blue king crab in the last year of the review period compared to 2009.

Residents of APICDA member communities harvest halibut allocations in both Area 4B and Area 4C, and halibut is the primary species processed at the Atka plant. APICDA has clearly maintained or improved its performance relative to halibut during the review period by maintaining a harvest rate of 94 to 95 percent.

#### Criterion Four

✓ Achieving the goals of the entry's community development plan

#### Weight

✓ 10 Percent

#### APICDA Finding

✓ 100/100 Evaluation Points

#### State of Alaska Determination

✓ Maintained or Improved

\* While Section 3.2 (Evaluation Weighting and Section 3.3 (Findings) APICDA allocated 25 percent of its overall score to criterion four, the summary table provided on page 23 indicates a weighting of ten percent. DCCED verified with APICDA that the correct weighting is ten percent.



WACDA has included a requirement that CDPs include bycatch avoidance plans with respect to the harvest of its share of fishery resources (CDQ Panel Resolution 2010 – 07). In its CDP, APICDA provides the basis for its bycatch avoidance plan during the review period. CDQ agreements allocate prohibited species for each of the target fisheries, with the allocation set low to encourage the operator to minimize bycatch. If a prohibited species quota (PSQ) allocation is exceeded, the contract allows APICDA to charge for additional prohibited species bycatch to further encourage clean fishing. The CDP also identifies a practice of strongly discouraging the discard of non-target and non-prohibited species (i.e., edible fish) by its partners.

APICDA evaluated its bycatch performance based on whether it stayed within its PSQ allocations during the review period. Overall, APICDA's bycatch equated to a range of five percent to 34 percent of its individual crab PSQ allocations; 45 percent of its halibut PSQ allocation; and 78 percent of its Chinook salmon PSQ allocation. APICDA also provided data relative to its bycatch of non-Chinook (i.e., chum) salmon, which was less than one percent. The only PSQ allocation that was exceeded during the review period was Chinook salmon in 2007, a very high year of Chinook salmon bycatch in both the CDQ and non-CDQ Bering Sea pollock fisheries.

#### *Determination*

Given the performance standards, APICDA maintained or improved its performance relative to criterion four.

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### FINAL DETERMINATION

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APICDA submitted data, employed performance standards for each criterion except criterion one, and provided analysis and discussion regarding whether performance standards were met. APICDA's improved performance, across three of four criteria, is documented, discussed, and supported by specific and observable data. APICDA experienced positive growth in weighted criterion including financial performance, workforce development, and implementation of community development plans. Consequently, the State of Alaska evaluation team, using APICDA's weighting method, concurs with APICDA's finding that overall performance has maintained or improved for the 2006 to 2010 review period.

#### Determination Summary

Criteria	Description	Weight	APICDA Finding	State of Alaska Determination
1	Socioeconomic Conditions	0%	Not Evaluated	Not Evaluated
2	Financial Performance	60%	100/100 Evaluation Points	Maintained or Improved
3	Workforce Development	30%	90/100 Evaluation Points	Maintained or Improved
4	Community Development Plan	10%	100/100 Evaluation Points	Maintained or Improved
Overall		100%	97/100 Evaluation Points	Maintained or Improved

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### FUTURE RECOMMENDATIONS

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APICDA's 2006 – 2010 *Decennial Review Report* included data, performance standards for three of four criteria, and provided relevant analysis and discussion regarding performance standards. APICDA's report effectively summarized and supported APICDA's performance findings across three of four criteria. Due to the report's descriptive nature for three criteria and the employed weighting scale, the State of Alaska's evaluation team was able to assess overall performance for the 2006 to 2010 review period and reach a final determination.

For future review periods and associated decennial review reports, it is recommended APICDA accommodate the following recommendations:

- ✓ Provide data, performance standards, analysis, and an evaluation for all four Magnuson-Stevens Act required criteria, including criterion one – socioeconomic conditions. State of Alaska regulations (6 AAC 93.140) require that each CDQ group shall submit the standards the group developed to measure its performance with respect to the four criteria set out in 16 U.S.C. 1855(i)(1)(H)(ii), and the observable, specific data available to measure that performance.
- ✓ Provide all data sources for catch records used to evaluate criterion four performance. While APICDA catch records are generally consistent with NMFS' catch accounting database, all sources should be identified and verifiable by the evaluation team. The goal of the CDP and the description of measurable standards should also be clearly provided in subsequent decennial reports.
- ✓ Implement a performance evaluation process that is consistent with State of Alaska regulations (6 AAC 93.160) to conclude analysis of criteria with a determination whether the CDQ group: 1) maintained or improved its overall performance with respect to the criteria; or 2) has not maintained or improved its overall performance with respect to the criteria.

